



Office of Inspector General
Washington, DC 20546-0001

JAN 21 2005

TO: Assistant Administrator for Human Capital Management

FROM: Assistant Inspector General for Auditing

SUBJECT: Audit of NASA's Use of Bonuses, Allowances, and Other Incentives for Recruiting and Retaining Science and Engineering Personnel
Assignment Number A-04-008-00
Report Number IG-05-007

The Office of Inspector General conducted an audit of NASA's use of bonuses, allowances, and other incentives for recruiting and retaining science and engineering personnel at three NASA Centers and the new NASA Engineering Safety Center (NESC) located at Langley Research Center.

We performed field work for this audit at the Glenn Research Center (Glenn), Goddard Space Flight Center (Goddard), Johnson Space Center (Johnson), and NESC. The objectives of the audit were to determine whether those Centers (1) used existing bonus and allowance authorities for positions they determined critical; (2) documented recruitment, retention, and relocation bonus/allowance payments and other incentives as required by NASA procedures; and (3) funded recruitment, retention, and relocation bonuses and allowances. We also determined whether NASA had a plan for using new or proposed recruitment and retention incentives provided for in the NASA Flexibility Act of 2004 (Flexibility Act). The Enclosure provides details on the objectives, scope, and methodology of the audit.

Executive Summary

As of December 2004, NASA did not have an Agency-wide system in place to analyze critical workforce competencies. The Agency plans to have its Agency-wide system operational in March 2005. As a result, each Center determined on a case-by-case basis the criticality of positions and the need for offering incentives to fill the positions. We found that the three Centers and NESC used bonus and allowance incentives during FY 2001 through 2003 to meet needs they determined critical. Selected personnel files we reviewed at the Centers generally contained required documentation justifying the payment of recruitment and relocation bonuses as well as retention allowances. The three Centers and NESC had adequate funds to pay incentives for positions determined critical. Those Centers, however, used different methodologies to budget and fund their costs; and relocation bonuses were paid from budgeted but unfilled positions. We also found that the Agency had a Workforce Plan that included the use of new recruitment and retention incentives provided for in the Flexibility Act.

NASA's Competency Management System

As of December 2004, NASA had not fully implemented its Competency Management System (CMS). As a result, an Agency-wide system for measuring and communicating workforce capability or a complete inventory of competencies throughout the NASA workforce was not available. In FY 2003, in response to the President's Management Agenda, NASA began developing CMS to provide a complete inventory of competencies throughout the NASA workforce. As of December 2004, the Agency planned to have the CMS database fully populated by March 2005. Once the CMS database is fully populated, the Agency should have an Agency-wide automated capability to track, project, and analyze critical workforce competencies. We plan, in a separate audit, to assess the CMS and the Agency's methodology for determining critical needs once CMS is operational.

Use of Authorities Varied by Center

Because NASA did not have an Agency-wide system in place that defined critical workforce competencies and addressed shortfalls in workforce critical needs, each NASA Center we reviewed and NESC used bonus and allowance incentives to fill positions and retain skills based on their determination of the criticality of the position and the adequacy of the local job market. As a result, the use of incentives varied among locations. For example, at Glenn, one relocation bonus (for a Human Resources management position) was used during FY 2003. Human Resources personnel at Glenn stated that from FY 2001 through 2003 Glenn received numerous applications for all other job announcements and determined that no additional hiring incentives were needed to fill critical positions.

In contrast, 68 and 33 bonuses and allowances were paid during the same period for science and engineering positions at Goddard and Johnson, respectively. The Human Resources personnel at Goddard and Johnson stated that incentives were needed because the job markets in those localities were competitive. At NESC, which was established in late FY 2003, one position—was filled using a bonus. The written justification cited that it was "critical that the NESC be established as soon as possible. Traditional recruitment efforts to select an individual to cannot be used in this case." However, once CMS is fully implemented, NASA should have a mechanism in place that will allow for a consistent approach in using bonuses and incentives Agency-wide.

(b) (6)

Authorizing and Documenting Use of Authorities

NASA Procedural Requirements (NPR) 3530.1A, "Pay Policy and Allowances," July 22, 2003, Chapter 4—Recruitment and Relocation Bonuses and Chapter 5—Retention Allowances, require that NASA Centers adequately justify in writing the need for a bonus or allowance and retain the justification for 3 years. We reviewed files from FY 2001 through 2003 that supported 50 of the 107 uses of incentives at the 3 Centers and files

from FY 2003 at NESC. Of the 50, 6 (12 percent) were not in compliance with Agency procedures because 1 Center was unable to locate its bonus/allowance justifications for employees. The 6 missing justifications related to positions in Engineering (2), Procurement (2), Financial Management (1), and Human Resources (1). In response to our observation, the Human Resources Office at Johnson created a separate file for maintaining all bonus/allowance justifications to ensure that justifications were retained in accordance with NPR 3530.1A.

Funding For Bonuses and Allowances Is Evolving

Although the three Centers and NESC had adequate funds to pay recruitment, relocation, and retention incentives for positions those Centers determined critical, the Centers and NESC used different methodologies to budget and fund their costs. Goddard and Johnson specifically budgeted for recruitment, relocation, and retention incentives. In FY 2003, those two Centers budgeted about \$190,000 and \$300,000 and spent about \$95,000 and \$248,230, respectively, for bonuses. Human Resources personnel at Goddard stated that they did not hire as many people during FY 2003 as planned and were able to attract employees without using all of its recruitment, relocation, and retention funding. Human Resources personnel at Johnson stated that they used the recruitment, relocation, and retention budget only when needing an additional incentive to recruit or retain an employee. Although Glenn and NESC did not budget for bonuses in FY 2003, the two Centers used funds from budgeted but unfilled positions to pay relocation bonuses. Once CMS is fully implemented and a consistent approach for approving bonuses and incentives Agency-wide is applied, a consistent approach for budgeting and funding bonuses as well as allowances should also be applied.

NASA Workforce Plan Addresses Flexibility Act Authorities

The Agency plans to use incentives that the Flexibility Act authorizes for hiring or retaining individuals once an assessment of each individual case determines that the use of a specific incentive is necessary. NASA anticipates using the new incentives primarily for science and engineering needs. The NASA Workforce Plan, dated March 26, 2004, describes the Agency's plans for using recruitment, redesignation, relocation, and retention bonuses in the Flexibility Act as well as focuses on educating Agency personnel on how to identify critical requirements. In addition, the plan states that incentives will not always be needed to help fill critical requirements.

On April 28, 2004, in accordance with Workforce Plan requirements, the NASA Office of Human Resources provided each NASA Center with interim implementation guidance. The interim guidance established policies and procedures for implementing each of the incentives contained in the Flexibility Act, which contains provisions for incentives such as annual leave enhancements, distinguished scholar appointments, and travel/transportation expenses of certain new appointees.

We appreciate the courtesies and cooperation provided to the staff during this audit. If you have questions or need to discuss this matter further, please contact Mr. Tony Lawson, Project Manager, Financial & Infrastructure Management, at (301) 286-6524.



Evelyn R. Klemstine

Enclosure

cc:

Associate Administrator for Institutions and Management/Mr. Jennings
Office of Human Capital Management/Ms. Novak
Office of Infrastructure, Management and Headquarters Operations/Mr. Sutton
Glenn Research Center/Dr. Earls
Office of Human Resources and Workforce Planning/ Ms. Gordon
Goddard Space Flight Center/Dr. Weiler
Office of Human Resources/Mr. Paprocki
Johnson Space Center/Gen. Howell
Human Resources Office/Mr. Schuler

Objectives, Scope, and Methodology

Our objectives were to determine whether NASA:

- Used existing bonus and allowance authorities for positions determined critical;
- Documented recruitment, retention, and relocation bonus/allowance payments and other incentives as required by NASA procedures; and
- Funded recruitment, retention, and relocation bonuses and allowances.

We also determined whether NASA had a plan for using new or proposed recruitment and retention incentives that were provided for in the NASA Flexibility Act of 2004.

We conducted our field work at Glenn Research Center (Glenn), Goddard Space Flight Center (Goddard), Johnson Space Center (Johnson), and the NASA Engineering Safety Center (NESC).

We were unable to assess whether the Centers and NESC adequately defined critical needs or whether additional opportunities existed for using the incentives because NASA did not have an Agency-wide system in place that defined critical workforce competencies and addressed shortfalls in workforce critical needs.

To accomplish our objectives, we:

- Selected Goddard and Johnson because those Centers had the greatest number of incentives, 68 and 33, compared with other Centers. Glenn was selected because it had only one incentive. NESC was selected because as a newly established technical center, it was specifically recruiting science and engineering personnel.
- Reviewed NASA and Office of Personnel Management policies and procedures related to recruitment, relocation, and retention bonuses and allowances, and NASA's plans to use provisions in the Flexibility Act.
- Reviewed data used by the selected Centers to support projected and actual critical skill requirements and the criteria for providing recruitment, relocation, and retention bonuses/allowances.
- Reviewed documentation that supported 50 of 107 recruitment, relocation, and retention bonuses and allowances provided to 46 science and engineering personnel and 4 non-science and engineering personnel at the 3 Centers and NESC from FY 2001 through FY 2003, to determine if the bonuses and allowances were adequately supported and justified.
- Interviewed Center and Headquarter Human Resources personnel regarding funding for bonuses and allowances.

We did not assess the reliability of computer-processed data because we did not rely on such data to achieve our objectives.

Management Controls Reviewed

We interviewed officials at NASA Headquarters, Glenn, Goddard, Johnson, and NESC to identify and assess management controls related to determining criticality of positions; requesting and approving recruitment, relocation, and retention bonuses and allowances; and maintaining justifications for 3 years in accordance with NPR 3530.1A. We determined that NASA did not have an Agency-wide system in place to analyze critical workforce competencies because the CMS database will not be fully populated prior to March 2005. We also determined that one NASA Center was unable to locate the bonus/allowance justifications for six employees. In response to our observation, the Human Resources Office at that Center created a separate file for maintaining all bonus/allowance justifications to ensure that justifications are retained in accordance with NPR 3530.1A. We have addressed our concerns in the body of the report.

Audit Field Work

We performed the audit field work from November 2003 through December 2004. We conducted the audit in accordance with generally accepted government auditing standards.